

EXHIBIT O

-----Original Message-----

From: Elson, David [<mailto:delson@manatt.com>]
Sent: Friday, July 23, 2004 1:22 PM
To: Kristy Carroll; Paul Loh
Cc: Rick Deeb
Subject: RE: Premio

Kristy: Please treat the information in Paul Loh's July 16th email, regarding the proposed settlement of the litigation, as superseding the District's earlier letter. We can also re-confirm that once the case actually settles, which we hope will occur in the very near future

-----Original Message-----

From: Kristy Carroll [<mailto:kcarroll@universalservice.org>]
Sent: Wednesday, July 21, 2004 2:51 PM
To: 'Paul Loh'
Cc: Elson, David
Subject: RE: Premio

Paul, David --

So does this mean that the District will be retracting what it stated to USAC in the September 2003 letter? Will the District write a letter to USAC stating that?

Kristy

-----Original Message-----

From: Paul Loh [<mailto:PaulLoh@willenken.com>]
Sent: Tuesday, July 20, 2004 3:18 PM
To: Kristy Carroll
Cc: Elson, David
Subject: FW: Premio

Dear Kristy:

As you can see below, it appears that the District would be able to make a representation to SLD consistent with what I have described about our dispute and issue #1.

Given that, please let me know whether such a representation would satisfy everything that SLD needs from the District with respect to clearing payment for Premio (I realize there may be other issues holding up payment -- which you are investigating and will apprise me of -- that are unrelated to the District). If it does so satisfy, then the District and I can proceed to work together to formalize the representation that you need.

Both parties want to move forward with this so we can complete our settlement.

Look forward to your response,

Paul.

Paul J. Loh, Esq.
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-----Original Message-----

From: Elson, David [<mailto:delson@manatt.com>]
Sent: Tuesday, July 20, 2004 12:04 PM
To: Paul Loh
Subject: RE: Premio

Paul: I think your email succinctly summarizes the settlement and the situation, from the District's perspective.

-----Original Message-----

From: Paul Loh [<mailto:PaulLoh@willenken.com>]
Sent: Friday, July 16, 2004 4:40 PM
To: Kristy Carroll
Cc: Elson, David; Ho, Yi-Chin
Subject: RE: Premio

Dear Kristy:

Thanks for your response. Doing it by email is even better, in my view, because everything is reduced to writing, and thus less chance of misunderstanding.

With respect to topic #1, I would like to know concretely what would satisfy SLD to help clear payment.

From Premio's perspective, here is the status (and David, you and the District should certainly chime in if I am not characterizing it properly): The products and/or services that are referred to in the District's September 2003 communication concern something we describe as Year 1 Carryover products. Those products (ie. servers) are sitting on palettes in Premio's warehouse and Premio has tendered them to the District.

One of the disputes in our lawsuit is that the District claims that those products do not meet Erate and/or District specifications. Premio disagrees with this view and contends that those servers do meet spec. In fact, there is a dispute between Premio and the District about what are the proper specs and what they mean.

However, as part of the pending settlement in this case, the parties are willing to resolve that and other disputes in the suit in exchange for certain mutual promises, including a monetary payment from the District to Premio. Neither side is conceding who is right or wrong about those servers, which is typical of a lawsuit settlement. My

understanding is that, despite the settlement, the District will decline to accept delivery of those servers now because, although they are in mint condition and still in their original sealed boxes, so much time has gone by since they were built and originally tendered (sometime in 1999 or 2000) that they are obsolete for present uses, and the District is now using other servers anyways.

What I would like to know concretely is that, assuming you get this representation from the District (and, again, I'm not now holding the District to what I've said), will this be sufficient to help clear the hurdles to Premio receiving payment from SLD, aside from whatever other hurdles there may that are unrelated to the District?

I await David's comments as to the accuracy of my description regarding the status of the Year 1 Carryover dispute, and Kristy's response.

Thanks,

Paul.

Paul J. Loh, Esq.

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From: Kristy Carroll [<mailto:kcarroll@universalservice.org>]
Sent: Friday, July 16, 2004 3:10 PM
To: Paul Loh
Cc: Elson, David; Ho, Yi-Chin
Subject: RE: Premio

Paul, David and Yi-Chin --

I apologize for not being able to respond to your email until so late in the day, but I am not available to meet today, and unfortunately, given my schedule, the times you propose for next week will be

difficult. How about trying this via email since I have already discussed these issues with you?

Re: #1 below -- I have explained to you during our prior conversations that Los Angeles Unified School District wrote to us in September 2003 to let us know that Premio had not provided certain products and/or services for which it had received disbursements from USAC. LAUSD will need to explain whether that is still the case, or whether and the manner in which that issue has been resolved.

Re # 2 - 3, I am checking on the status of the pending invoices, and will provide what information I can to you when I determine that status.

Re #4 -- Because of the various contingencies related to the reviews of invoices -- including documentation that may be needed from applicants and service provider -- we can't provide estimates of the amount of time that our reviews of invoices take.

Please let me know if this works for you, or if we still need to try to schedule a meeting.

Kristy L. Carroll
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From: Paul Loh [<mailto:PaulLoh@willenken.com>]
Sent: Thursday, July 15, 2004 5:57 PM
To: kcarroll@universalservice.org
Cc: Elson, David; Ho, Yi-Chin
Subject: Premio

Dear Ms. Carroll:

David Elson (attorney for LA Unified School District) and I would like to schedule a teleconference with you.

These are the topics that we would like to discuss with you:

1) What specific representations, document or information does SLD need from LAUSD to clear SLD payment to Premio for FRN 260296;

- 2) What additional information and documentation does SLD need (from any source other than LAUSD) to clear SLD payment to Premio for FRN 260296;
- 3) All obstacles and requirements other than (1) or (2) that Premio must overcome or satisfy to clear SLD payment to Premio for FRN 260296;
- 4) Assuming (1) through (3) are satisfied, what is your best estimate for when SLD will make payment to Premio for FRN 260296.

We are heading back to court in our pending case (which relates to these issues) on Thursday, 7/22, so we would very much like to have this teleconference with you before then and give the judge a status report.

Between my schedule and David's, we are available for conference during the following times:

Friday 7/16, any time after 11 AM PST
Tuesday, 7/20, between 9 and 10 AM PST
Wednesday, 7/21 anytime in the morning PST.

Thank you and we look forward to your response.

Paul.

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Elizabeth Rogers

From: Elizabeth Rogers
Sent: Tuesday, October 19, 2004 11:56 AM
To: 'Kristy Carroll'
Subject: Premio/LAUSD
Attachments: 6p702l.DOC

Dear Kristy:

Please see the attached letter requesting an update regarding USAC's investigation into the distribution of funds to Premio pursuant to its E-rate contract with LAUSD.

I am a colleague of Paul Loh's, at Willenken Wilson Loh & Stris LLP. Please contact me with any questions, as Paul is traveling on business this week.

Thank you,

Elizabeth I. Rogers
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Via Electronic Mail

October 19, 2004

Kristy Carroll
Universal Service Administrative Company

Re: *Premio Computer, Inc. v. Los Angeles Unified School District (LAUSD)* –
Requested Update

Dear Kristy:

In your last conversation with my colleague, Paul Loh, you explained that the Universal Service Administrative Company ("USAC") is looking into whether a violation of the statute or regulations governing the E-rate program occurred in connection with the 128 year-1 carryover machines Premio contracted to provide to LAUSD's Cluster 07 schools. Although Premio manufactured and tendered all 128 year-1 carryover machines, LAUSD accepted only 30 of them. LAUSD then instructed Premio temporarily to suspend shipment, and refused to accept the remaining machines.

You also explained that if USAC determines that a statutory or regulatory E-rate violation caused the Schools and Libraries Division ("SLD") erroneously to distribute approximately \$1.8 million in E-rate funds pursuant to Premio for the year-1 carryover machines, USAC will then assess whether Premio or LAUSD was responsible for the violation, and may seek to recover the \$1.8 million from the party it deems responsible. Would you please provide an update on the status of USAC's inquiry?

If USAC has not yet completed its inquiry, would you please provide a date by which USAC will decide whether to seek recovery of the \$1.8 million? The need for a prompt resolution of this issue is acute in this instance because, as you know, there is a lawsuit between Premio and LAUSD involving the alleged breach of contract for the year-1 carryover machines.

In that lawsuit, Premio and LAUSD respectively contend that the other breached the contract. Prior to USAC's investigation, Premio and LAUSD had agreed in principle to settle their dispute without any admission of fault, but with LAUSD paying Premio its approximate share of the purchase price of the year-1 carryover machines. Premio and

LAUSD cannot resolve their lawsuit, however, until USAC decides whether to seek recovery of the \$1.8 million. This is so because any recovery USAC obtains from Premio or LAUSD will likely become part of the damages caused by the other party's alleged breach.

Premio and LAUSD jointly requested a stay of their lawsuit pending USAC's determination, but the court declined to grant an indefinite stay. Instead, the court continued the trial date until January 31, 2005, set the next status conference for December 3, 2004, and ruled that no further continuances will be granted without a showing of good cause. Accordingly, a written update of the status of USAC's inquiry that Premio and LAUSD can share with the court at the status conference in December would be extremely helpful, assuming USAC has not completed its inquiry by that time.

As Mr. Loh previously explained, Premio is and remains convinced that any violation found by USAC will have resulted from LAUSD's breach of the contract regarding the year-1 carryover machines. Please let me know if you would like me to provide information and documentation supporting this belief.

Finally, please also let me know whether and when SLD will pay Premio the approximately \$700,000 in E-rate funds owed to Premio for the year-2 carryover machines pursuant to LAUSD's Form 471 Application No. 143513. You previously explained to Mr. Loh that USAC is withholding this payment pending its investigation regarding the \$1.8 million.

I understand from the August 4, 2004 FCC Order that the offset provisions, which might have previously applied depending on USAC's determination regarding the \$1.8 million, have now been eliminated. I also understand that 31 U.S.C. § 3716(b) requires that before collecting a claim by administrative offset, an agency must adopt or prescribe certain regulations regarding collecting by administrative offset which, in light of the August 4, 2004 FCC Order, I do not understand the FCC to have adopted or prescribed. Consequently, USAC's investigation regarding the \$1.8 million does not warrant withholding payment of the \$700,000.

The October 12, 2004 Notice Regarding Temporary Suspension of Schools and Libraries and Rural Health Care Support Mechanism Funding Commitments states that "USAC is currently and always has been able to pay any and all invoices that are received pursuant to previously-issued funding commitments in the E-rate program," despite the temporary suspension. There is no dispute that Premio delivered to LAUSD the year-2 carryover machines for which SLD committed to pay the \$700,000, and Premio hopes to receive this payment soon.

I appreciate your assistance with these matters and look forward to hearing from you.

Sincerely,

/s/ Elizabeth I. Rogers

Elizabeth I. Rogers

cc: Paul J. Loh